

November 2019

VIDEO GAMING / E-GAMING LAW UPDATE

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Main Quest

Does Your Gaming Stream Violate the Copyright Act?

Streaming platforms, such as Twitch, Mixer and YouTube Gaming, are quickly becoming household names, with daily viewership rates that rival those of more traditional media outlets, including cable channels like CNN and ESPN.¹ As video game streaming increases in popularity, more and more individuals are trying to make a name for themselves, along with a lucrative living, by creating content to feature on these platforms. Unfortunately, as often is the case with new media, the law has not kept pace with the rise of this content, leaving both streaming services and individual content creators in a legal gray area with respect to intellectual property ownership and infringement. In this article, we discuss why copyright owners may be concerned about streaming, the rights that may be implicated by such streams and what defenses streamers might try to assert if presented with claims of copyright infringement.²

Should Copyright Owners Be Concerned?

As discussed in more detail in the next section, a colorable argument exists that most forms of streaming violate at least some of the rights owned exclusively by the copyright owners of the games being streamed. Thus, to some extent, game creators and developers should be concerned about streaming, as copyright owners generally should be concerned by any activity that infringes their content.

However, copyright owners may accept, or even welcome, certain infringing activity. For example, as streamers are often quick to point out, many streams act as free advertising for a game, and help create a community around it, encouraging sustained engagement and additional sales.³

Nonetheless, a copyright owner may have certain concerns with the free, unfettered use of its copyrighted material. For example, a copyright owner may want to prevent a third party's commercial exploitation of the owner's work as part of an eSports tournament or event. Thus, while a developer may be happy to let individuals stream the game via Twitch or YouTube Gaming, the developer may be less thrilled by a third party charging admission fees and obtaining advertising revenue for an event focused solely on the developer's copyrighted game.⁴

¹ See "Amazon's streaming service Twitch is pulling in as many viewers as CNN and MSNBC," Ben Gilbert, *Business Insider* (Feb. 13, 2018).

² Streaming implicates a host of potential IP issues, including copyright claims brought by the copyright owners of music played during a stream. However, the focus of this article is on the copyright implications from the perspective of the game developers in particular.

³ This may be particularly true in the case of games featuring the ability to purchase additional in-game content.

⁴ Similarly, the copyright owner may have concerns about the rules of the event and the way the game is presented, and may want to prevent potential harm to the integrity of the official eSports events for its game.

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Additionally, by streaming, content creators may create what could be considered a work of joint authorship, or even their own separately-copyrightable work through their stream. As an analogy, consider a musical artist covering a particular song. While the original songwriter owns the copyright in the underlying work and composition, the artist inarguably owns a separate copyright in the performance and recording (and potentially the arrangement as well). However, while the music industry has a compulsory licensing regime that clearly delineates the copyright ownership in such situations, and organizations like ASCAP and BMI to monitor and collect royalties accordingly, video games do not have any established mechanisms in place to cover such scenarios. Accordingly, without adequate compensation or oversight, publishers and developers risk losing control over some expressions of their works.

Finally, in addition to the pure copyright concerns, copyright owners may have practical reasons for wanting to prevent a streamer from streaming their game, including protecting plot or gameplay elements from spoilers, or avoiding a perceived association with or sponsorship of a particular streamer who may use language or support ideas with which the copyright owner does not agree.⁵

Rights Implicated by Streaming

Section 106 of the Copyright Act sets forth what is often referred to as the exclusive “bundle of rights” that an owner of a copyrighted work enjoys with respect to the work. Along with the well-known right to create copies of a work, a copyright owner also has the exclusive right to publicly perform that work and to create derivative works based on it. Both of these rights are potentially implicated by the content published on streaming platforms.

Public Performance Right

The public performance right provides copyright owners with the exclusive right to “perform” their work to a public audience. Screening a film, putting on a play or performing a song at a concert are all examples of public performances of copyrighted works. Given the extremely public nature of streaming services (again, rivaling cable news networks in terms of daily viewership) it is easy to see how such streams may constitute a public performance of the copyrighted games.

⁵ For example, the developer of the popular indie game *Firewatch* issued a copyright takedown notice against Pewdiepie (one of YouTube’s most watched content creators) in response to Pewdiepie’s use of a racial slur during a live stream. See “[The \(still\) uncertain state of video game streaming online](#),” Willie Clark, *Ars Technica* (Jan. 28, 2018).

Derivative Works Right

While a “derivative work” is more commonly considered to be an adaptation in a different media form (e.g., film to book) or a translation, the Copyright Act’s definition of “derivative work” provides that any work that is “based upon one or more preexisting works” constitutes a derivative work, and includes “editorial revisions,” “elaborations” and “other modifications” to a work. Based on this definition, it is likely that most acts of streaming would constitute a derivative work. Even where the streamer is adding some content of her own (e.g., thoughts on the game, strategy tips, general musings, etc.), the “work” taken as a whole is comprised in large part of the copyrighted game itself.⁶

Vicarious/Contributory Liability

It is not only the streamers themselves that run the risk of incurring liability from copyright infringement; streaming platforms could potentially be held liable for facilitating, profiting from or providing an outlet for the infringing behavior. Indeed, a copyright owner may be inclined to include a platform in a copyright action, in an effort to obtain damages from a larger and likely better-funded party.

Potential Defenses to Copyright Claims

Given the potential for a copyright claim to be brought against a stream, parties should also be familiar with potential defenses a streamer could raise if challenged on copyright grounds.

The most prominent (and most widely referenced) defense would be fair use. Section 107 of the Copyright Act specifically provides that the exclusive rights owned by copyright owners are limited by the “fair use” of such works. The fair use analysis considers four non-exclusive factors: (i) the purpose and character of the use; (ii) the nature of the copyrighted work; (iii) the amount used (both in terms of quantity and quality); and (iv) the effect on the potential market for the copyrighted work.

Whether the typical stream would qualify as fair use is unclear. For instance, many streams are commercial in nature, copy large portions of the game and often feature the streamer talking over video of straight gameplay; thus whether streams can be considered “transformative” is arguable as well. Conversely, streamers contend that their main focus is often

⁶ In this connection, it is worth noting that streams often focus on the game play (which takes up the vast percentage of the screen) with the streamer appearing in one corner and other aspects of the stream (e.g., chat, recognitions for donations, stream goals, etc.) appearing on the edges of the screen.

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providing commentary on the game (which is specifically noted in the statute as a favored type of fair use), and suggest that streaming is a significant transformation of the original work, as the work itself is meant to be a game played directly by a player, while streaming is more akin to a television program or article discussing the game. Given the lack of jurisprudence on the application of the fair use factors to streaming — and the inherently fact-specific nature of the fair use analysis — it is difficult to predict the outcome of the fair use defense in the context of streaming on anything other than a *sui generis* basis.

In addition to fair use, a streamer could rely on other, lesser known copyright defenses if faced with a copyright suit. For instance, the doctrine of equitable estoppel provides that where a plaintiff knows of the defendant's infringing use, but nonetheless allows the defendant to continue to the defendant's detriment, the plaintiff may not then later "change its mind" and seek to enforce those same rights. Thus, a streamer could argue that because game developers are well aware of streaming, and streamers rely on the developer's lack of action in building their careers on streaming, developers should not be permitted to selectively enforce their copyright in any particular instance.⁷

Finally, the doctrine of copyright misuse allows a defendant to avoid liability if it can show that the copyright owner is enforcing its copyright for an improper purpose. In the context of video game streaming, the most likely argument under copyright misuse would be that a developer was enforcing its

⁷ Copyright law also recognizes a doctrine of "implied license" where, similar to equitable estoppel, a streamer could argue that by its inaction a copyright owner has indicated that the streamer had a license to stream the game.

copyright in an attempt to prevent legitimate critiques or criticism of its work. Thus a streamer may argue that the copyright owner did not like the commentary and inappropriately sought to censor it under the guise of copyright enforcement.⁸

Strategy Guide

Many of the copyright issues discussed above — in particular the potential equitable defenses to a copyright infringement claim — can largely be sidestepped by the use of appropriate licensing language as part of the end-user license agreements associated with the games at issue. Indeed, several popular eSports games already include such language providing individuals with a license to stream the games, while reserving for the copyright owner the unilateral ability to revoke the license for any reason. Such language can also expressly cover the potential creation of joint works of authorship, and clearly set forth which party owns the copyright, and where necessary, grant the developer an irrevocable license to use any intellectual property created by the players/streamers themselves. Finally, game developers should be aware of the recent U.S. Supreme Court decision requiring copyright owners to have obtained registrations prior to bringing an infringement action, and to file for registrations as soon as practicable.

For streaming services, the most prudent course of action to avoid liability is to ensure that they are fully compliant with the requirements of the Digital Millennium Copyright Act, which provides a "safe harbor" for service providers against liability for infringing activities committed by third parties on their services. By ensuring compliance with the safe harbor provisions, streaming platforms can reduce the risk of incurring liability to the extent a copyright owner seeks enforcement against any individual streamer.

⁸ Of course, this defense would only be available if the stream actually provided a critique of the game.

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Side Quests

Recent judicial decisions and enacted statutes or regulations that are likely to impact the video game industry

PTAB Decisions

Niantic, Inc. v. Barbaro Technologies, LLC, IPR2019-00672 (P.T.A.B. 2019)

- On September 6, 2019, the Patent Trial and Appeal Board denied the request of Niantic, Inc. creator of the popular Pokémon Go and Harry Potter: Wizards Unite apps, to institute an *inter partes* review (IPR), challenging the validity of a patent owned by Barbaro Technologies, LLC.
- Barbaro has asserted the patent against Niantic in the U. S. District Court for the Central District of California, which was stayed pending the IPR application, claiming Niantic infringed the patent with its Pokémon Go and Ingress games.
- Barbaro's patent covers an "interactive software application program" that integrates audio, video, and 2D and 3D graphics with the real world to create an "alternative reality" experience.
- The PTAB disagreed with Niantic's position that the prior art it referenced rendered Barbaro's patent obvious, noting that the prior art either did not disclose the technology in question or did not make sense to combine together.

Supercell Oy v. GREE, Inc., PGR2018-00039 (P.T.A.B. 2019)

- On September 6, 2019, the PTAB issued a ruling allowing gaming company GREE, Inc., to amend a patent in an America Invents Act post-grant review (PGR).
- The PGR was requested by Supercell Oy, developer of popular mobile games like Clash of Clans and Clash Royale, and challenged GREE's patent on the grounds that it was directed only to abstract ideas.
- GREE's patent covers a system for executing a battle in a video game, and originally the board decided that the patent's claims were invalid under the Supreme Court's 2014 ruling in *Alice v. CLS Bank*.
- In granting GREE's motion to amend its patent claims, the board indicated that certain elements which GREE added in its proposed substitute claims took those claims outside the realm of abstract ideas and made the claims eligible for protection.

International Trade Commission Decisions

Certain Portable Gaming Console Systems With Attachable Handled Controllers and Components Thereof, Investigation No. 337-TA-1111 (I.T.C. Oct. 10, 2019)

- On October 16, 2019, the ITC cleared Nintendo Co., Ltd. of allegations that the Nintendo Switch consoles infringed patents owned by Gamevice, Inc.
- Gamevice owns two patents relating to its products, first released in 2015, that allow for game controllers to be attached to the sides of smartphones or tablets to support more "traditional" controller-based gameplay of mobile games.
- The Nintendo Switch consists of a console, a dock and removable controllers, allowing gamers to play the same game either on a TV connected to the dock or on the console itself, which has a screen similar to a tablet device.
- Gamevice argued that the Switch's use of two side controllers that could be attached to or removed from the console violated Gamevice's patents, and sought to block imports of the console.
- The ITC indicated that it was closing its investigation into whether Nintendo violated Section 337 of the Tariff Act by Nintendo's importing and selling infringing products without taking any further action.
- A related case filed by Gamevice, *Gamevice, Inc. v. Nintendo Co., Ltd.*, No. 3:18-cv-01942-RS (N.D. Cal. 2018), is currently pending.

Federal Court Decisions

Hamilton v. Speight, No. 2:17-cv-00169-AB, 2019 WL 4697485 (E.D. Pa. Sept. 26, 2019)

- On September 26, 2019, Judge Anita Brody of the U. S. District Court for the Eastern District of Pennsylvania granted Microsoft Corporation's motion for summary judgement against former wrestler and NFL player Lenwood Hamilton in a case alleging that Microsoft and the creators of the Gears of War video game series misappropriated his likeness in creating a character for the game.

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- On January 11, 2017, Hamilton brought a claim against Microsoft asserting that the Augustus “Cole Train” Cole character in the Gears of War franchise was based on his likeness and identity and argued as evidence in support the fact that his old friend and fellow former wrestler Lester Speight worked on the game and even provided the in-game voice for the “Cole” character.
- In her opinion, Judge Brody noted that while there may have been good reason to think that the Cole character was

inspired by Hamilton, the similarities between Hamilton (including his personas) and the Cole character were not enough to strip Microsoft of First Amendment protections.

- In particular, the court held that Hamilton had failed to overcome the relatively high bar set by the transformative use test, and noted that to satisfy the test, plaintiffs generally have to show that the avatar or likeness is, essentially, a carbon copy of the plaintiff.

Patch Notes

New litigation filings and proposed legislation and regulations that may lead to important legal developments in the video game industry

FTC Workshop on Loot Boxes

- As noted in our prior edition, on August 7, 2019, the Federal Trade Commission held a public workshop on the use of “loot boxes” in video games.
- In the first panel at the workshop, the chief counsel for the Entertainment Software Association announced that Nintendo Co., Ltd., Sony Corporation and Microsoft Corporation will mandate odds disclosures for loot boxes featured in new games available on their respective platforms, targeting 2020 for the implementation of the policy.
- The primary concern highlighted by the FTC workshop was information asymmetry, particularly as applied to younger consumers.
- Proponents of regulation feared that younger audiences are not cognitively equipped to understand the value proposition of loot boxes, and this problem is exacerbated when consumers are not informed of the odds of receiving certain items, the value of such items or the true cost of the loot boxes (which are often purchasable only by using virtual currency).
- The FTC has yet to take any formal action, but we will provide continual updates as they do.

BANDAI NAMCO Entertainment America Inc. v. AtGames Holdings, Ltd., No. 3:19-cv-05898-VC (N.D. Cal. 2019)

- On September 20, 2019, Bandai Namco Entertainment America Inc., the U.S. unit of the company most well-known for its Pac-Man games, sued AtGames Holdings, Ltd., a company

that revamps classic video games and consoles, asserting claims for trademark and copyright infringement, as well as unfair competition, false designation of origin, false advertising and violations of corresponding California state laws.

- Bandai’s complaint alleges that AtGames violated the parties’ licensing agreement by distributing a version of its Pac-Man game that “substantially deviated” from what Bandai had approved, including by incorporating unapproved third-party materials and by using packaging that did not match the content of the game.
- Bandai further alleges that AtGames has distributed a version of its Ms. Pac-Man property, even though Bandai explicitly refused to license this property to AtGames.
- Bandai claims that these actions have caused irreparable harm to its brand, as consumers are now associating its iconic properties with AtGames’s allegedly inferior products.
- On October 17, 2019, Bandai sought a TRO to stop AtGames from distributing products that incorporated the Ms. Pac-Man character. While the court denied this request, it ordered AtGames to respond to Bandai’s preliminary injunction motion. That motion remains pending.

Riot Games Inc. v. Riot Squad Esports LLC, No. 2:19-cv-08626-DDP-JEM (C.D. Cal. 2019)

- On October 7, 2019, Riot Games, Inc., the developers of League of Legends, filed a lawsuit against Riot Squad Esports LLC, claiming trademark infringement, false designation of origin and unfair competition.

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- The complaint alleges that Riot Squad unlawfully adopted and used the "Riot" brand name to market, advertise and promote its eSports organization.
- Riot Games further alleges that Riot Squad used the "Riot" brand name in an attempt to confuse consumers into thinking that Riot Squad is connected to Riot Games.

SEC Sends Second No-Action Letter to Pocketful of Quarters, Inc.

- This summer, the U.S. Securities and Exchange Commission issued a no-action letter to startup Pocketful of Quarters, Inc. (PoQ), stating that it would not recommend any action against PoQ under Section 5 of the Securities Act of 1933 or the Exchange Act of 1934.
- PoQ is a gaming platform that allows users to purchase or otherwise acquire blockchain-based tokens, called "Quarters," for use in a variety of games, and as part of eSports events set up by PoQ.
- Explaining its decision, the SEC highlighted the fact that PoQ will not use funds from the sale of Quarters to build its platform (which already exists) and that Quarters are meant solely for consumptive use as a means of accessing and interacting with games.

FTC Holds Public Workshop on Future of COPPA

- On October 7, 2019, the FTC held a public workshop entitled "The Future of the COPPA Rule," which examined whether to update the Children's Online Privacy and Protection Act (COPPA) Rule in light of evolving business practices in the online children's marketplace, including with respect to games and gaming platforms.

- The COPPA Rule, which was enacted in 2000 and updated in 2013, requires certain website operators to obtain parental consent before collecting, using or disclosing personal information from children under the age of 13.
- Among the topics discussed, the workshop considered whether the rule should be amended to better address websites and online services, such as video games with online components and chat features, that may not include "traditionally" child-oriented activities but that nonetheless have a large number of child users.
- This workshop follows a year of high-profile FTC actions against online services with a focus on "general audiences," which nevertheless have large numbers of child users, such as the music video app TikTok.
- The FTC has yet to take any formal action, but we will provide continual updates as they do.

USPTO Seeks Input on How Artificial Intelligence Impacts Copyrights and Trademarks

- On October 30, 2019, the U.S. Patent and Trademark Office published a request for comments seeking input on the impact of artificial intelligence (AI) technologies on intellectual property law and policy.
- This request follows an August 27, 2019 request for comment on 13 questions directed to the impact of AI inventions on patent law and policy.
- The questions posed cover a variety of topics, including whether revisions to intellectual property protections are needed in the face of emerging AI technologies.
- Comments must be received on or before December 16, 2019.

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